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SUBJECT: KUWAIT'S STOCK EXCHANGE EYES REGIONAL ROLE, FEMALE INVESTORS AND STRUCTURAL REFORM

¶1. (U) Summary. In an October 19 meeting with Econoff, the Director of Public Relations at the Kuwaiti Stock Exchange (KSE) applauded the increased number of Kuwaiti female investors, expressed confidence in the continued rise of the Kuwaiti stock market, and underscored the importance of ensuring legal and structural reforms in order to enhance market oversight and lead to the establishment of a Capital Markets Authority (CMA) in Kuwait. End Summary

¶2. (U) Econoff met with Wafa Al-Rasheed, Director of Public Relations at the Kuwaiti Stock Exchange (KSE) for an update on KSE's latest developments. Al-Rasheed, a KSE official since 1985, recalled that in 1983, a year after the 1982 market crash, the Kuwaiti government established the KSE to restore order and confidence in the market. She commented that the biggest challenge then was restoring the Kuwaiti public's confidence in a shaken financial market and the newly established KSE.

¶3. (U) She marveled at the market's unprecedented surge over the last year as it nears the 11,000 point mark. (Note: The market closed at 10,993 on October 23). She expressed continued confidence in the market's strong performance, noting that the health of the KSE mirrors the country's booming economy in a post-Saddam era defined by increased oil revenues and the long-term U.S. military presence as a hedge against regional instability.

KSE Looking for a Regional Role

¶4. (U) Al-Rasheed pointed out that 12 percent of the KSE's 154 listed companies are non-Kuwaiti, primarily from the Gulf and other Arab states and that KSE's efficiency and openness are strengths that would help transform the organization into a regional player, leaving the international market to the newly launched Dubai international exchange. Al-Rasheed added that KSE's only regional competitor, the Saudi exchange, although seven times larger in trading volume, was not as regulated and lacked KSE's market depth and flexibility, leaving KSE in good position to dominate the region.

Increased Kuwaiti Women Investors

¶5. (U) Al-Rasheed expressed enthusiasm with the rising number of Kuwaiti women investors. She proudly points to having established the Gulf's first trading floor for women, noting that the number of female account holders has doubled to approximately 32,000 since the trading floor's inauguration in 2003. (Note: Econoff toured the women's facility and found a modestly-sized yet busy and technologically advanced facility overlooking the main trading floor.)

¶ 6. (U) As part of KSE's outreach efforts with women, Al-Rasheed organizes quarterly investment workshops, providing potential investors with informative CD-ROMs and DVDs on the stock market in an effort to enhance the role of women in Kuwait's bullish market. Al-Rasheed commented that Kuwaiti women investors are "more prudent and better informed" than their many of their male counterparts and, she though, "less likely to panic" in the event of market fluctuations.

Kuwait's Own SEC

¶ 7. (U) Al-Rasheed asserted that the KSE would continue to enhance its effectiveness with planned legal and structural reforms including the establishment of a Capital Markets Authority (CMA) to serve as Kuwait's "Securities and Exchange Commission." She explained that until June 2005, the Central Bank of Kuwait functioned as the market regulator. That role has since been transferred to the Kuwait Stock Exchange Commission (KSEC), a KSE entity that will serve as the structural basis for the CMA. According to Al-Rasheed, these reform measures are long overdue and were spurred by a 2003 World Bank assessment recommending legal and structural reform to strengthen regulatory oversight of the Kuwaiti stock market and the establishment of a CMA.

¶ 8. (U) Al-Rasheed disclosed that KSE recently signed a one-year contract with British International Securities Consulting--a U.K. firm based in Hong Kong and comprised of former London Stock Exchange executives--to transform the Kuwaiti Stock Exchange Commission into an independent CMA. She noted that perhaps 60 percent of the necessary CMA infrastructure is already in place. She expressed cautious

KUWAIT 00004552 002 OF 002

optimism about National Assembly approval of the proposed reform measures, including recommendations to strengthen punitive measures against insider trading, a problem she considers to be prevalent in the country's small and interdependent business community.

Bio Note

¶ 9. (U) Wafa Al-Rasheed joined KSE in 1983 after having been recruited by its Chairman and today remains the organization's longest-serving female executive. She is a Kuwaiti citizen with a degree in French literature from Nice University in France. She speaks English fluently, is divorced with two children and travels abroad extensively, having visited the majority of the world's stock exchanges. She was recently nominated as a finalist for the Middle East Partnership Initiative's (MEPI) 2006 U.S.-Middle East Entrepreneurial Training (MEET) program.

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